

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7505

BILL NUMBER: HB 1925

DATE PREPARED: May 1, 2001

BILL AMENDED: Apr 27, 2001

SUBJECT: Employee Health Benefits for Local Governmental Units.

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FUNDS AFFECTED: **GENERAL
DEDICATED
FEDERAL**

IMPACT: Local

Summary of Legislation: (CCR Amended) The bill allows a local governmental unit to provide group health insurance coverage to active and retired officials and employees through one of three methods, including participation in a local unit group, to provide coverage under a state employee health benefit plan. The bill requires the local unit group to be treated as a single group that is separate from the state employee group. It also requires the State Personnel Department to: (1) establish costs of providing coverage to the local unit group as a whole and establish a uniform premium schedule; and (2) provide an annual opportunity for local units to elect to provide or terminate coverage under a state employee health benefit plan. The bill prohibits the determination of premiums paid by a local unit from being based on claims made by the local unit. The bill also provides that the State Personnel Department may adopt rules specifying minimum participation and contribution requirements for participation in a state employee health benefit plan.

Effective Date: July 1, 2001.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures: (Revised) The decision to provide coverage of health care services for officials and employees under a state employee health plan would be optional for a local governmental unit, including school corporations. Local units that elect to provide coverage under a state employee health plan must be treated as single group that is separate from the existing state employee group. The bill requires the State Personnel Department to establish premium costs for local units as determined for the entire local unit group by an insurer or health care plan providing coverage to the group. Also, the bill requires the premium charged for a particular health plan to be uniform for the entire local unit group.

Since premiums will be established based on the claims risk and other pertinent risk information for the local

unit group as a whole, a local unit could realize premium savings or incur additional premium costs if it elects to provide health care coverage through the local unit group. The impact on a particular local unit would depend upon (1) the claims risk of the local unit's employees relative to the remainder of the local unit group and (2) the size of the local unit group. (Note: The bill prohibits a local unit's premium from being determined based on claims made by the local unit. Presumably, this prohibits a local unit from paying a premium in relation only to its claims experience and does not prohibit premiums for the local unit group from being based on claims of the group altogether.)

Since administrative costs will be established by the State Personnel Department for the local unit group as a whole, participating local units potentially could benefit from administrative economies and, as a result, experience a reduction in administrative cost relating to their employee health benefit plans.

Explanation of Local Revenues:

State Agencies Affected: State Department of Personnel.

Local Agencies Affected: Local Governmental Units, School Corporations.

Information Sources: